

Message Text

CONFIDENTIAL

PAGE 01 CARACA 03413 182237Z

73

ACTION ARA-20

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 OPIC-12 AGR-20 PA-04

PRS-01 USIA-15 DRC-01 /201 W
----- 112117

P 182108Z APR 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 3457

C O N F I D E N T I A L CARACAS 3413

E.O. 11652: GDS

TAGS: ENRG, VE

SUBJECT: INTERVIEW WITH NEW MINISTER OF MINES AND HYDROCARBONS

1. AMBASSADOR, ACCOMPANIED BY PERTOLEUM OFFICER, MADE OFFICIAL CALL APRIL 18 ON NEW MINISTER OF MINES AND HYDROCARBONS, VALENTIN HERNANDEZ. THIS WAS FIRST OFFICIAL VISIT SINCE MINISTER TOOK OFFICE ALTHOUGH AMBASSADOR AND EMBOFFS HAVE SEEN AND TALKED WITH HIM ON NUMBER OF SOCIAL OCCASIONS. MAIN TOPICS COVERED WERE PETROLEUM REVERSION, GOVERNMENT POLICY ON LNG DEVELOPMENT, AND US-VENEZUELAN PETROLEUM RELATIONS.

2. MINISTER HERNANDEZ TOOK EXTREMELY RESPONSIBLE AND ENCOURAGING APPROACH ON SUBJECT OF PETROLEUM REVERSION. HE EMPHASIZED THAT HE HAS RECEIVED DIRECTIVE FROM PRESIDENT PEREZ THAT NO DECISIONS ARE TO BE TAKEN ON PETROLEUM REVERSION UNTIL AFTER THOROUGH CONSULTATIONS WITH OIL COMPANIES. HERNANDEZ SAID THAT HE IS NOW ENGAGED IN ROUND OF CONSULTATIONS WITH PETROLEUM COMPANIES BEGINNING WITH SHELL, CREOLE AND MENE GRANDE. HERNANDEZ EMPHASIZED THAT VENEZUELA WILL PROCEED RESPONSIBLY AND PRAGMATICALLY ON QUESTION OF REVERSION AND THAT ENTIRE PROCESS WILL BE CONTROLLED BY ACCION DEMOCRATICA GOVERNMENT, WHICH NOW HAS THE STRONG POLITICAL SUPPORT AND
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CARACA 03413 182237Z

MAJORITY IN CONGRESS THAT MAKES SUCH CONTROL POSSIBLE.

3. HERNANDEZ SPOKE OF REVERSION AS PART OF A WORLDWIDE MOVEMENT TOWARD GREATER CONTROL OF THEIR OWN RESOURCES BY PRODUCING COUNTRIES, BUT HE EMPHASIZED THAT IF VENEZUELA PROCEEDS WITH REVERSION IT WILL WANT TO DO SO IN WAY THAT WILL PRESERVE MANY OF IMPORTANT ADVANTAGES VENEZUELA GAINS FROM PARTICIPATION OF PRIVATE OIL COMPANIES IN VENEZUELAN PETROLEUM INDUSTRY. HE CITED SUCH ADVANTAGES AS MARKETING SKILLS, TECHNOLOGY, FINANCING, AND MANAGERIAL EFFICIENCY, ALL OF WHICH VENEZUELA WOULD WISH TO FIND WAYS TO PRESERVE. ALL IN ALL, HE GAVE IMPRESSION OF WISHING TO FIND SOLUTION TO REVERSION PROBLEM THAT WILL RECOGNIZE PREVAILING POLITICAL FORCES BY GIVING VENEZUELA VISIBLE OWNERSHIP AND CONTROL OF ITS OIL INDUSTRY, WITHOUT DISTURBING,

MORE THAN NECESSARY, OPERATIONAL STRUCTURE OF OIL INDUSTRY.

4. HERNANDEZ ALSO DISCUSSED HIS APPRECIATION OF US AS IMPORTANT HISTORICAL MARKET FOR VENEZUELAN OIL AND EXPRESSED VIEW THAT US WILL CONTINUE TO BE VENEZUELA'S NATURAL MARKET AND MOST IMPORTANT MARKET. HE GAVE, IN A GENERAL WAY, ASSURANCES THAT US NEED FOR VENEZUELAN OIL WILL BE TAKEN INTO ACCOUNT IN VENEZUELAN DECISION-MAKING PROCESSES ON OIL POLICY. IN THIS CONTEXT, HE REMARKED THAT RECENT RESTRICTONS ON PETROLEUM OUTPUT WERE NECESSARY BECAUSE OF AMOUNT OF GAS THAT WAS BEING WASTED BY BEING FLARED INTO ATMOSPHERE.

5. IN RESPONSE TO AMBASSADOR'S QUESTION ABOUT POLICY OF NEW GOVERNMENT ON DEVELOPMENT OF LNG, HERNANDEZ MADE IT VERY CLEAR THAT PRESENT GOVERNMENT HAS LITTLE INTEREST AT THIS TIME IN PROCEEDING WITH LNG PROPOSAL FORMULATED BY PREVIOUS GOVERNMENT. HERNANDEZ OBSERVED THAT NON-ASSOCIATED GAS CANNOT BE USED TO PRODUCE LNG UNDER TERMS OF GAS LAW AS ENACTED BY VENEZUELAN CONGRESS, AND THAT THERE ARE NOT SUFFICIENT ASSURED SUPPLIES OF ASSOCIATED GAS, ESPECIALLY GIVEN FACT THAT AVAILABILITY OF ASSOCIATED GAS WOULD VARY DEPENDING ON VOLUME OF OIL PRODUCTION. HERNANDEZ SAID THAT IN HIS OPINION FUTURE OF GAS IN VENEZUELA LIES NOT IN COVERSON INTO LNG FOR EXPORT BUT IN USES WITHIN THE COUNTRY, SUCH AS REPLACING DIESEL OIL IN POWER PLANTS, IN PRODUCTION OF IRON ORE BRIQUETTES, PETROCHEMICALS, AND OTHER PRODUCTS.

6. OVERALL IMPRESSION RECEIVED FROM MINISTER HERNANDEZ IN THIS VISIT
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CARACA 03413 182237Z

IS OF A MAN WHO IS INTELLIGENT, KNOWLEDGEABLE ABOUT HIS JOB, AND DETERMINED TO PROCEED IN RESPONSIBLE FASION TO WRESTLE WITH DIFFICULT PROBLEMS OF REVERSION THAT LIE AHEAD.
MCCLINTOCK

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, PETROLEUM INDUSTRY, NATURAL RESOURCES, DIPLOMATIC DISCUSSIONS, PETROLEUM CONCESSIONS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CARACA03413
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740090-1070
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740434/aaaabdyi.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 23 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 SEP 2002 by boyleja>; APPROVED <05 FEB 2003 by GolinoFR>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INTERVIEW WITH NEW MINISTER OF MINES AND HYDROCARBONS
TAGS: ENRG, VE, US, (HERNANDEZ, VALENTIN)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005